

In the Matter of San Diego Gas & Electric Company's Application for Authorization to (1) to Participate in the Steam Generator Replacement Project As A Co-Owner of San Onofre Nuclear Generating Station Unit Nos. 2 & 3 (SONGS 2 & 3); (2) Establish Ratemaking For Cost Recovery; and (3) Address Other Related Steam Generator Replacement Issues.

(U 902-E)

Application No. 06-04-018

**DIVISION OF RATEPAYER ADVOCATES'
SUPPLEMENT TO THE JOINT MOTION IN SUPPORT OF THE
SETTLEMENT AGREEMENT**

Pursuant to Rules 45 and 51.1 and the Joint Motion of San Diego Gas & Electric Company, the Division of Ratepayer Advocates, and Southern California Edison Company in Support of the Settlement Agreement, the Division of Ratepayer Advocates (DRA) submits this supplement in support of the Settlement Agreement.

DRA conducted discovery and analyzed the cost-effectiveness of SDG&E's participation in Southern California Edison's Steam Generation Replacement (SGRP) Project for San Onofre Nuclear Generation Station Units 2 and 3. Based on this analysis, DRA has concluded that SDG&E's continued participation at SONGS, at its current 20% ownership share, is the most cost-effective alternative.

DRA reached its conclusion after analyzing (1) updated forecasts for nuclear fuel costs, (2) updated greenhouse gas adder costs, and (3) updated natural gas hedging prices.¹

In analyzing the nuclear fuel costs, DRA replaced SDG&E's forecasted costs with

¹ The underlying numbers for all three areas are attached to this submission.

more recent forecasts². Using the updated numbers, DRA finds that SDG&E's participation in the SGRP Project now benefits ratepayers by an additional \$23 million.

In analyzing the updated greenhouse gas adder costs, DRA found that SDG&E used the lowest value adopted by the Commission. DRA believes that there is a likelihood that the greenhouse gas adder costs will go up and that the savings to ratepayers by having SDG&E participate in the SGRP Project will be greater than the \$21 million projected by SDG&E.

In analyzing the updated natural gas hedging prices, DRA used \$0.082 as adopted by the Commission in the Market Price Referent Decision³. Using this number reduces the cost of the least cost, competitive alternative by \$31 million and DRA finds that SDG&E's participation in the SGRP Project will cost ratepayers an additional \$9 million.

In summary after looking at the combined effect all three inputs, DRA concludes that SDG&E's participation in the SGRP Project is cost effective because it will result in savings of at least \$14 million to ratepayers.

DRA respectfully requests that the Commission accept this supplement to the Joint Motion in Support of the Settlement.

Respectfully submitted,

/s/ NICHOLAS SHER

Nicholas Sher
Attorney for

Division of Ratepayer Advocates
505 Van Ness Ave
San Francisco, CA 94102
Telephone: (415) 703-4232
Facsimile: (415) 703-2200
E-mail: nms@cpuc.ca.gov

August 7, 2006

² DRA used numbers from SCE's 2006 Energy Resource Recovery Account, A.05-08-022.

³ D.05-12-042

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**DIVISION OF RATEPAYER ADVOCATES TO THE JOINT MOTION IN SUPPORT OF THE SETTLEMENT AGREEMENT**” in **Application 06-04-18** by using the following service:

[X] E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

[] U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on the **7th day of August, 2006** at San Francisco, California.

/s/ Joanne Lark

Joanne Lark

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

* * * * *

Service List
A.06-04-018

asteale@hanmor.com
carol.schmidfrazee@sce.com
jwalsh@sempra.com
mparsons@riversideca.gov
nms@cpuc.ca.gov
nms@cpuc.ca.gov
case.admin@sce.com
wkeilani@semprautilities.com
mrw@mrwassoc.com
jweil@aglet.org
jpo@cpuc.ca.gov
awp@cpuc.ca.gov
mprior@energy.state.ca.us